

# Market Potential Strong In the Czech Republic

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**S**trategically located astride some of the oldest and most significant land routes in Europe, the Czech Republic is one of the most stable and prosperous of the former Communist states. Its central location makes it an excellent hub for product shipments to Hungary, Poland, Slovakia, Slovenia, Bulgaria, Romania and Russia.

The government is preparing to join the European Union (EU) in 2004 and is harmonizing Czech laws and standards to meet EU requirements. At the same time, the nation is busily upgrading its telecommunications and transportation infrastructure. Projects include modernization of the rail system, repair and extension of the highway network and plans to expand the river transport system to accommodate containerized cargo.

## A Growing Market

The Czech Republic is becoming a wealthier market, with economic growth for 2002 expected to be around 3 percent. The standard of living is rising, and the per capita disposable income is the highest of any of the EU accession candidates.

Due to improving economic conditions, demand for luxury products is increasing. In addition, the rising number of single households have more disposable income for convenience foods. Recently, frozen, chilled, ready-made meals have become popular. Moreover, with the boom in hypermarkets and larger home refrigerators, once-a-week food shopping is quickly replacing daily purchases of fresh items.



Czechs typically spend between 21 and 31 percent of their average per capital income of \$12,900 on food. And in recent years they have shown a willingness to try new food products.

The Czech retail food sector is continually undergoing consolidation. The number of hypermarkets surged from 2 to 105 between 1996 and 2001, driving many small retailers out of business.

Large international chains have enlarged the range of products available in retail outlets. For example, most

hypermarkets have large food departments with live fish in tanks. As a result, consumption of fish and seafood has increased.

There are many tourists and expatriates in the Czech Republic, especially in the capital city, Prague. They come mainly from Germany, Austria, the United States, Italy and France. They like to shop in large supermarkets and hypermarkets and often purchase familiar foreign products. The large retail chains emphasize marketing and promotion, including product sampling and big sales after holidays.

In addition to the growing retail food sector, the hotel and restaurant market in the Czech Republic offers businesses tremendous opportunities. This sector is comparatively untapped. Tourism is beginning to expand as the country has become integrated into world markets. About 80 percent of restaurants and institutions prepare meals themselves and buy ingredients from “cash and carry” suppliers. There is no wholesaler specializing in the institutional food sector. In general, catering companies do not import directly, but through large importers.

Throughout the Czech Republic, but particularly in urban areas, there is a trend toward healthier eating. More and more frequently, the typically heavy Czech cuisine is being replaced with various lighter international cuisines. Italian, French, Chinese, Indian and Mexican restaurants are gaining popularity in Eastern Europe as more varieties of fruits and vegetables become available.

The Czech Republic's large food processing industry accounts for some 20 percent of total industrial output. In recent years, production of pasta, cheeses and vegetable oils has seen the largest growth. In order to compete with international exporters of value-added foods, Czech food processors are busily improving equipment and technology.

High-value food items that have the best prospects in the Czech market include almonds, citrus, distilled liquor, dried plums, frozen meals, juice concentrates, live lobsters, peanuts and peanut butter, raisins, rice and rice mixes, sauces and salsa, smoked salmon, Tex-Mex products and wines.

### Export Requirements

In general, the Czech system of duties on imports is stable, and the customs sys-

## CZECHS TYPICALLY SPEND 21— 31% OF TOTAL DISPOSABLE INCOME ON FOOD.

tem respects the country's obligations under the World Trade Organization. Agricultural products are protected by higher tariffs ranging from 50 to 200 percent. However, to preserve competition in the Czech market and expand the range of products, some kinds of agricultural goods can be imported at lower tariffs within the tariff rate quotas (TRQs). Quotas are set for each calendar year.

Information on current TRQs is published regularly and may be found on the Internet at: [www.cs.mfcr.cz](http://www.cs.mfcr.cz)

All imported products must comply with Czech food safety regulations. An English version of these rules is available on the Web at: [www.czpi.cz](http://www.czpi.cz)

The Czech State Veterinary Administration has stringent import requirements for poultry, beef and horse meat. These products must be accompanied by appropriate USDA certificates. Additional certification requirements may be found on the Internet at: [www.fsis.usda.gov/OFO/export/explib.htm](http://www.fsis.usda.gov/OFO/export/explib.htm)

A law in effect since September 1999 requires administrative fees for veterinary checks on imported animal products and fodder.

The Czech Agricultural and Food Inspection Service regulates the safety of food products sold in stores and restaurants. This agency reviews various product characteristics, including shelf life, expiration dates and prices.

The Czech Republic has two value-added tax rates—5 percent on food and 22 percent on tobacco, alcoholic beverages and seafood. In April 2000 this tax was reduced for public catering from 22 to 5 percent.

### What To Look For

In assessing the potential of the Czech market, keep these consumer tastes and preferences in mind:

- The typical Czech dinner consists of meat and dumplings with a sauce. There is a trend, however, toward healthier eating that is increasing consumption of fruits, vegetables, fish, poultry, vegetable oils and margarines.
- Fish consumption is relatively low in comparison with meat consumption. However, as in much of Eastern Europe, Czechs love to eat carp at Christmas.
- Although organic foods are available in supermarkets and specialty stores, there is not yet a significant consumer demand for these goods.
- With the arrival of international retail chains, ethnic cuisines are becoming well-known and popular. ■

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